COMPUTERWORLD
THE NEWSWEEKLY FOR THE COMPUTER COMMUNITY
June 1, 1981

Real-Time Service Matches Components Supply, Demand

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SANTA CLARA, Calif. — Computer equipment manufacturers often plagued by surpluses and shortages of integrated circuits and other components can now trade these commodities on the International Component Exchange, a real-time computer-based service started here recently by Source 2 International, Inc.

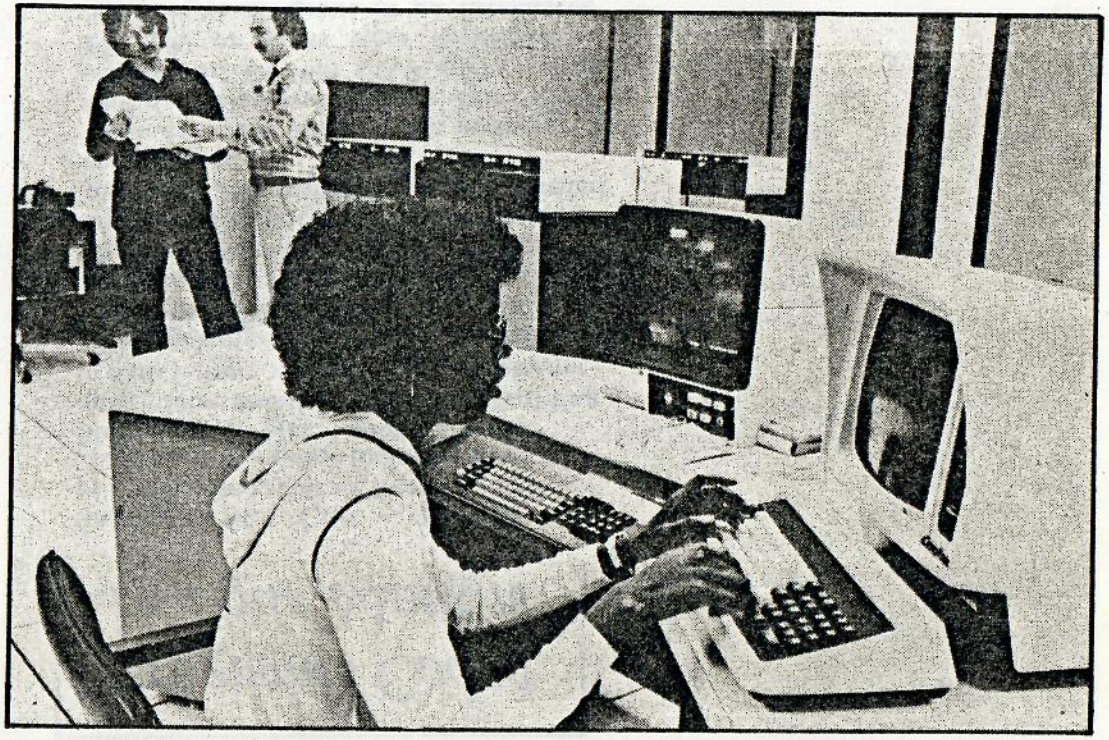
More than 150 electronic equipment manufacturers — including Honeywell, Inc., Xerox Corp. and Exxon Corp. — have been listed on the exchange so far. By the end of the year, 1,000 vendors will become members of the exchange, Source 2 President Robert A. Solomon said, noting that some 13,000 companies worldwide are candidates for the exchange.

The computerized exchange operates like a stock exchange, but Source 2 does not broker sales directly for listed members. Rather, the International Component Exchange allows buyers access to a real-time data base for their parts requirements. The seller has full control over the pricing of specific components.

Once a buyer finds the required part, Source 2 puts him in touch with the seller and the two parties negotiate their own deal. The parties may negotiate the price listed on the exchange to whatever level they like.

Listing on the exchange is free of charge, but when a deal is struck the seller pays a 10% commission to Source 2. The inventory of surplus parts is automatically updated as parts are sold.

The exchange currently lists prices for 125,000 manufacturers' integrated circuit parts numbers, many of which are cross-referenced according to potential substitutes; this max-



Source 2's field offices receive buyer inquiries and respond immediately with parts availability and pricing.

imizes the chances of a buyer finding an acceptable part and a seller disposing of excess inventory, Solomon explained. Both electrical and mechanical parts used in the manufacture of electronic equipment are listed.

Access to the data base is through terminals located in Source 2 field offices. Transmission is made via satellite and microwave.

Source 2 currently has two field offices, one in Santa Clara and one in Irvine, Calif. A Burlington, Mass., office was scheduled to open today; a Roseland, N.J., office will open on July 1 and another location in Chicago will be in operation Oct. 1.

Excess Parts

"Some of the largest blue-chip manufacturers often have $1 million in excess parts," Solomon said. If worldwide surpluses were tallied, he estimated, upwards of $50 billion worth of excess parts may be found worldwide — and if those parts were disposed of, they would bring in 10 cents on the dollar from brokers and scrap dealers.

Manufacturers often order 100,000 units of a part, only to find that after using 30,000 units, another part with a better design becomes available on the market. In other cases purchasing managers order more parts than are necessary because they are unable to project part losses. Whatever the reason, manufacturers often find themselves with sizable surpluses.

On the demand side, other manufacturers, usually smaller companies, have shortages.

Source 2 was financed by $1.7 million in venture capital raised by the firm in about nine weeks. It is headquartered at 3920 Freedom Circle, Santa Clara, Calif. 95050.

Programs Coded In Four Months

SANTA CLARA, Calif. — The 100 programs used with its International Component Exchange took four Source 2 International, Inc. programmers only four months to develop, according to Kirk Jensen, vice-president of systems.

The exchange, which began operating in April, offers buyers and sellers of integrated circuits and other electronic and mechanical components used in electronic equipment a quick way to get their surpluses on the market or to buy needed components.

The data base used in the exchange is Cullinane Database Systems, Inc.'s IDMS running in an IBM CICS environment. The 100 programs were developed in Exec-Level Cobol in an interactive mode, using normal, structured methodology, but each of the programmers has about 10 years' experience, Jensen said, attributing the quick turnaround of the system to their efficiency and experience.

Ten people work full time entering parts numbers — the critical data contained in the system. The total number of components in use today is about one million, and "we will have them all in the data base," probably within a year, Jensen said. About 50,000 to 100,000 parts are added to the data base monthly.

The processor used with the system is a Magnuson Computer Systems, Inc. M80/32 with 3M bytes of main storage and three channels running under IBM's OS/VS1 Interact 1. The system already has 2.5G bytes of online storage, and Source 2 will add about 1G bytes every three months for the near term, Jensen said.